

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 89-610-W/S - ORDER NO. 90-940 ✓
SEPTEMBER 21, 1990

IN RE:	Application of Carolina Water)	ORDER DENYING
	Service Inc., for Approval of)	PETITION FOR
	New Schedules of Rates and)	REHEARING AND
	Charges for Water and Sewer)	RECONSIDERATION
	Service Provided to its Customers)	OF ORDER
	in its Service Area in South Carolina.)	NO. 90-694

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of a Petition for Rehearing and Reconsideration of Order No. 90-694 issued in the instant docket and dated August 1, 1990. The Petition was filed on behalf of Steven W. Hamm, the Consumer Advocate for the State of South Carolina (the Consumer Advocate). The Consumer Advocate alleges several errors on the part of the Commission in Order No. 90-694.

Specifically, the Consumer Advocate alleges that the Commission erred in authorizing a rate increase without requiring the Company to justify its operating expense level with adequate findings and substantial evidence; that the Commission erred in authorizing a salaries and wages adjustment; that the Commission erred in authorizing the Company to recover an alleged seven (7)

months of unrecovered property taxes; that the Commission erred in approving an Environmental Impact Surcharge (EIS) for the Roosevelt Garden Apartment system; and that the Commission erred in approving a plant impact fee for both water and sewer customers.

The Commission has considered the allegations of error contained in the Petition filed on behalf of the Consumer Advocate and finds that the Commission's decision is fully supported in law, logic and fact and should not be reconsidered, reheard or modified in any way. The Commission fully considered the evidence of the record and made sufficient findings thereon in Order No. 90-694.

As to the allegation that the Commission erroneously approved the operating expenses of the Company as being reasonable for the test year, the Consumer Advocate alleges that the Commission failed to consider the evidence before it and its decision is not based on the substantial evidence of record in violation of S.C. Code Ann, Section 1-23-380(Cum.Supp., 1989). Additionally, the Consumer Advocate alleges that the Order does not contain sufficient findings of fact as required by S.C. Code Ann. Section 1-23-350. The Company, the Staff and the Consumer Advocate presented testimony as to the appropriate level of expenses for Carolina Water Service, Inc. (CWS). The Commission considered each position taken by the various parties in making its separate adjustments for each expense item that was contested by the parties. The Commission's decision does reflect reliance on substantial evidence

of the record and includes specific findings in that regard. While the Consumer Advocate contends that the Company's operation and maintenance expenses have increased 44% over the last five (5) years and that general expenses have increased 93% over that time frame, the Commission can take notice of the fact that in comparing various applications over the five (5) year time frame filed by Carolina Water Service that the number of customers have increased which causes both revenues and expenses to increase. The Commission does not consider just the fact that expenses have increased but considers the fact that other factors are involved in increased expenses. While the Company's filing and the Staff's audit were adequate in the context of a rate proceeding, by requiring the Company in its next rate filing to include justification for its expense levels the Consumer Advocate's concerns will be addressed.

Additionally, the Commission Staff audited the expenses of the Company using its established auditing procedures. The Staff made adjustments for non allowable expense items and included only those allowable expense items associated with the test period. As to the computer expenses which the Consumer Advocate takes exception to, the Commission finds that the language in Order No. in 90-694 provides the basis for the Commission's allowance of these expenses. As noted by the Commission on pp. 15-16, the computer system aids CWS employees in the company billing, as well as providing ready access to customer records. This information can

be used at both the home office in Northbrook, Illinois and at the CWS offices in South Carolina. A PC System, such as that proposed by the Consumer Advocate would not allow for the expedient flow of information back and forth between the two areas. The Commission's findings in regard to operating expenses are based on the substantial evidence and supported by the record.

The Consumer Advocate next takes issue with the Commission's authorization of a salaries and wages adjustment. The Consumer Advocate alleges that the Commission should not have included three (3) additional employees in the Company's current salary and wages expenses and that the level of the salaries is too high for a company of this size. The Commission made it clear in its Order No. 90-694 that the additional three (3) employee's salaries were related to test year customers and they were employed as a direct result of DHEC mandates and improvements required by this Commission. As to the level of the salaries and wages approved by the Commission, the Commission Staff's adjustment in that regard which included the Staff's audit and exclusion of non- allowable items was adopted by the Commission. The Consumer Advocate has failed to persuade the Commission that its decision in this regard is not based on the substantial evidence.

The Consumer Advocate alleges that the Commission has engaged in retroactive rate making by authorizing a recovery of property taxes that were "supposedly paid before the rates approved in this

proceeding are to take effect." The Commission made no finding that the Company had paid the increased taxes nor did the Company allege that it had paid these taxes. But the Company did testify to and the evidence does support the fact that the S.C. Tax Commission had increased its assessment of the utility property of CWS and that its 1990 taxes and for the years subsequent, would be paid at higher assessment. The taxes to be paid by Carolina Water Service are known and measurable and there will be a change in the level of taxes paid by the Company. The test year information did not have the appropriate level of property taxes reflected in it. The Consumer Advocate asserts that it is a well accepted rate making standard that the Commission does not guarantee a dollar for dollar recovery of operating expenses. This is true. However, in this case, the seven (7) months of unrecovered property taxes will be amortized over a ten (10) year period. As stated in Order No. 90-694 the Commission concludes that the \$105,788 of unrecovered property taxes will be amortized over a ten (10) year period at a rate of 10,579 dollars per year. This recovery over a ten (10) year period is not dollar for dollar since it is returned over ten years and the deferred portion is not included in rate base. The Commission noted in Order No. 90-694 that this treatment is fair to the Company in that it can be made over time and fair to the rate payer in that the effect of the recovery of this expense is over a ten (10) year period, therefore lessening the burden on the

rate payer. The Commission finds that this adjustment in this regard is well within the substantial evidence of the Record.

The Consumer Advocate takes issue with the Commission's treatment of the EIS for the Roosevelt Garden Apartments System. The Commission, in Order No. 90-694 approved the EIS charge of \$10.00 for Roosevelt Garden Apartments System only and stated that it reserved the right to examine the EIS in the Company's next rate filing and may make further findings concerning this charge. The Consumer Advocate notes that under this scenario, the Company may control the timing of the next rate request and whether Roosevelt Gardens will even be a part of that request. The Commission notes that the wording of Order No. 90-694 would only bring the EIS charge into consideration if Carolina Water Service filed a rate case and included Roosevelt Garden Apartments. However, the Commission also has the right, by law, to initiate its own proceeding to examine the rates and charges of a utility company. The Commission is of the opinion that if Carolina Water Service does not file a rate proceeding which would include the EIS charge for Roosevelt Garden Apartments that the Commission could, sua sponte, institute its own proceeding to examine this charge. The Commission is of the opinion that this method of review by the Commission whether by the Company's filing or by the Commission's own motion, will address any concerns regarding the collection of this charge.

Lastly, the Consumer Advocate, alleges that the Commission erred in approving the four hundred dollar Plant Impact Fee for water service and the four hundred dollar Plant Impact Fee for sewer service. The Consumer Advocate, however, acknowledges that the Company did not propose a change in a level of the fees. The Consumer Advocate contends that the level of the fee must bear an evidentiary relationship to the construction costs requirements of the Company as set forth by DHEC. The Consumer Advocate is correct that the Company did not propose to change the Plant Impact Fee for either its sewer or its water service. The Commission is of the opinion that if a rate has previously been found just and reasonable and is not included in the rates and charges proposed to be increased by the Company, then the presumption of the validity of the Commission's previous decision should remain unchanged. The Consumer Advocate would have a utility provide support for every single rate previously approved whether it is sought to be adjusted or not. This is quite a burden to be placed on a utility whether it be a water or sewer utility or an electric or telecommunications utility which may have a myriad of rates and charges that may not be involved in a general rate increase. The Consumer Advocate did not submit into evidence anything that would challenge the validity of the previously approved rate. The Commission finds that absent a challenge, a previously approved rate still is presumed just and reasonable.

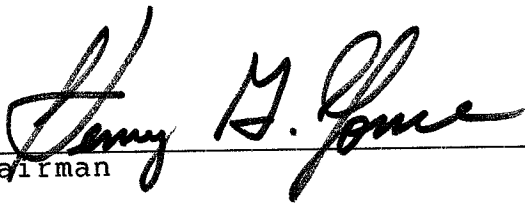
The Commission is of the opinion that a rate not a part of a general increase is not required to be supported by the utility as a matter of course. If, however, the rate is challenged and evidence is presented which challenges the validity or reasonableness of the rate then the Company may be obliged to support its rate. Such was not the case here. While the Consumer Advocate asked questions concerning the rate both through interrogatories (not admitted into evidence) and through cross examination, the Consumer Advocate presented no evidence that would refute the validity of the previously approved Plant Impact Fee of both water and sewer rates.

Based upon the foregoing reasons, the Commission herein denies the Petition for rehearing or reconsideration of Order No. 90-694 filed on behalf of the Consumer Advocate.

IT IS SO ORDERED.

That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


VICE Chairman

ATTEST:


Executive Director

(SEAL)